

BOARDMAN TOWNSHIP, KALKASKA COUNTY

SOUTH BOARDMAN, MICHIGAN

JUNE 30, 2008

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

JUNE 30, 2008

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December 26, 2008

INDEPENDENT AUDITORS' REPORT

To the Township Board
Boardman Township
Kalkaska County
South Boardman, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Boardman Township, Kalkaska County, South Boardman, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Boardman Township, Kalkaska County, South Boardman, Michigan, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on pages 20-21 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Boardman Township, Kalkaska County, South Boardman, Michigan's basic financial statements. The individual fund financial statements are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Boardman Township, a general law township located in Kalkaska County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Boardman Township board's discussion and analysis of the financial results for the fiscal year ended June 30, 2008, along with specific comparative information as required.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$887,753. Of this amount, \$439,953 may be used to meet the Township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$547,311, an increase of \$92,207 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The Township's entire assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The Township does not have any business-type activities.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township were \$887,753 at June 30, 2008, meaning the Township’s assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous year.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Boardman Township
Net Assets as of June 30,

	<u>2008</u>	<u>2007</u>
Assets		
Current Assets	\$ 554,231	\$ 460,990
Non Current Assets		
Capital Assets	693,647	671,706
Less: Accumulated Depreciation	<u>(288,133)</u>	<u>(258,690)</u>
Total Non Current Assets	<u>405,514</u>	<u>413,016</u>
Total Assets	<u><u>\$ 959,745</u></u>	<u><u>\$ 874,006</u></u>
Liabilities		
Current Liabilities	\$ 14,010	\$ 12,631
Long-term Liabilities	<u>57,982</u>	<u>65,072</u>
Total Liabilities	<u>71,992</u>	<u>77,703</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	340,442	341,199
Restricted for Specific Purposes	107,358	204,507
Unrestricted	<u>439,953</u>	<u>250,597</u>
Total Net Assets	<u>887,753</u>	<u>796,303</u>
Total Liabilities and Net Assets	<u><u>\$ 959,745</u></u>	<u><u>\$ 874,006</u></u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$439,953 of unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$91,450 in this fiscal year, which is an indicator that the Township experienced positive financial growth throughout the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Boardman Township
Change in Net Assets
for the Fiscal Year Ended June 30,

	<u>2008</u>	<u>2007</u>
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$ 17,810	\$ 20,958
Operating Grants	4,357	4,505
General Revenues		
Property Taxes	156,315	144,133
State Grants	102,038	102,515
Investment Earnings	13,740	16,490
Other	5,544	2,284
Total Revenues	<u>299,804</u>	<u>290,885</u>
<u>Expenses</u>		
Legislative	14,490	16,361
General Government	87,236	93,697
Public Safety	70,374	73,757
Public Works	15,400	11,736
Health and Welfare	330	304
Community and Economic Development	2,672	3,103
Recreation and Culture	14,414	13,948
Interest on Long-Term Debt	3,438	4,237
Total Expenses	<u>208,354</u>	<u>217,143</u>
Change in Net Assets	91,450	73,742
<u>NET ASSETS</u> - Beginning of Year	<u>796,303</u>	<u>722,561</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$ 887,753</u></u>	<u><u>\$ 796,303</u></u>

Governmental Activities

During the fiscal year ended June 30, 2008, the Township's net assets increased by \$91,450 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

The most significant part of the revenue for all governmental activities of Boardman Township comes from property taxes. The Township levied millages for road improvement and fire protection, in addition to the operating millage. The Township levied 0.8643 mills for operating purposes, 1.9838 mills for road improvement, and .9919 mills for fire protection.

The Township spent \$87,236 in fiscal year 2008 on general government expenses. Public safety represented the next largest expense at \$70,374 followed by public works at \$15,400.

Business-Type Activities

The Township does not maintain any Business-Type Activities.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Boardman Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Boardman Township's governmental funds reported combined ending fund balances of \$547,311, \$251,178 of this total amount constitutes unreserved fund balance and the remainder of the fund balance is reserved or designated for specific purposes and is therefore not available for new appropriation.

General Fund – The General Fund's fund balance decreased by \$3,497 which brings the fund balance to \$251,937. Of the total fund balance, \$251,178 is unreserved while \$759 is reserved for prepaid expenditures.

Fire Fund – The Fire Fund's fund balance increased by \$17,665 which brings the fund balance to \$39,713. This balance is reserved and must be used for fire protection.

The Township levied a fire millage on the 2007 tax roll. This resulted in \$35,785 in tax related revenues during the current fiscal year. The Township also contracts with Orange Township for fire protection which generated \$11,235 in revenues for Boardman Township.

Road Improvement Fund – The Road Improvement Fund increased its fund balance by \$78,039 which brings the fund balance to \$255,661. The balance is reserved and must be used for road improvements.

The Township did once again levy a road improvement millage on the 2007 tax roll. Tax related revenues totaled \$71,576 for the current fiscal year.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Proprietary Fund The Township does not maintain any proprietary funds.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of June 30, 2008 amounted to \$405,514 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$500 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

Boardman Township
Capital Assets as of June 30,

	<u>2008</u>	<u>2007</u>
Land and Land Improvement	\$ 154,013	\$ 154,013
Buildings	13,978	13,978
Machinery and Equipment	358,173	352,697
Infrastructure	<u>167,483</u>	<u>151,018</u>
	693,647	671,706
Less Accumulated Depreciation	<u>(288,133)</u>	<u>(258,690)</u>
Net Capital Assets	<u><u>\$ 405,514</u></u>	<u><u>\$ 413,016</u></u>

Major capital asset additions during the current fiscal year included the following:

- ◆ Sidewalk projects were completed throughout the Township at a cost of \$14,950.
- ◆ Turnout gear for the Fire Department was purchased at a cost of \$3,952.

Long-Term Debt. At the end of the fiscal year, the Township had total installment debt outstanding of \$65,072. The entire balance of this debt is backed by the full faith and credit of the government. Additional information on the Township's long-term debt can be found in the notes to the financial statements.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2008-09 fiscal year.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Boardman Township at 4855 Pine Street SW, South Boardman, Michigan 49680.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash	\$ 210,098
Investments	139,985
Prepaid Expenses	188,775
Receivables	
External Parties (Fiduciary Funds)	106
Due from Other Governments	<u>15,267</u>
Total Current Assets	<u>554,231</u>
<u>CAPITAL ASSETS</u>	
Land and Land Improvements	154,013
Buildings	13,978
Machinery and Equipment	358,173
Infrastructure	<u>167,483</u>
	693,647
Less Accumulated Depreciation	<u>(288,133)</u>
Net Capital Assets	<u>405,514</u>
TOTAL ASSETS	<u><u>\$ 959,745</u></u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 5,876
Accrued Expenditures	1,044
Current Portion of Long-Term Debt	<u>7,090</u>
Total Current Liabilities	<u>14,010</u>
<u>LONG-TERM LIABILITIES</u>	
Note Payable	65,072
Less: Current Portion	<u>(7,090)</u>
Total Long-Term Liabilities	<u>57,982</u>
TOTAL LIABILITIES	<u>71,992</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	340,442
Restricted for Fire Protection	38,583
Restricted for Road Improvements	68,775
Unrestricted	<u>439,953</u>
Total Net Assets	<u>887,753</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 959,745</u></u>

The accompanying notes are an integral part of the financial statements.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	REVENUE AND CHANGES IN NET ASSETS
TOTAL GOVERNMENTAL ACTIVITIES				
<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>				
Legislative	14,490	\$ 0	\$ 0	\$ (14,490)
General Government	87,236	4,282	0	(82,954)
Public Safety	70,374	13,528	0	(56,846)
Public Works	15,400	0	4,357	(11,043)
Health and Welfare	330	0	0	(330)
Community and Economic Development	2,672	0	0	(2,672)
Recreation and Culture	14,414	0	0	(14,414)
Interest on Long-Term Debt	3,438	0	0	(3,438)
Total	\$ 208,354	\$ 17,810	\$ 4,357	(186,187)
<u>GENERAL REVENUES</u>				
Property Taxes				156,315
State Grants				102,038
Investment Earnings				13,740
Other				5,544
Total General Revenues				277,637
Change in Net Assets				91,450
<u>NET ASSETS</u> - Beginning of Year				796,303
<u>NET ASSETS</u> - End of Year				\$ 887,753

The accompanying notes are an integral part of the financial statements.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2008

	GENERAL FUND	FIRE FUND	ROAD FUND	TOTALS
<u>ASSETS</u>				
Cash	\$ 101,185	\$ 40,138	\$ 68,775	\$ 210,098
Investments	139,985	0	0	139,985
Prepaid Expenditures	759	1,130	186,886	188,775
Due from Other Funds	1,615	0	0	1,615
Due from Other Governments	15,267	0	0	15,267
TOTAL ASSETS	<u>\$ 258,811</u>	<u>\$ 41,268</u>	<u>\$ 255,661</u>	<u>\$ 555,740</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 5,830	\$ 46	\$ 0	\$ 5,876
Accrued Expenditures	1,044	0	0	1,044
Due to Other Funds	0	1,509	0	1,509
Total Liabilities	<u>6,874</u>	<u>1,555</u>	<u>0</u>	<u>8,429</u>
<u>FUND BALANCE</u>				
Reserved for:				
Fire Protection	0	38,583	0	38,583
Road Improvements	0	0	68,775	68,775
Prepaid Expenditures	759	1,130	186,886	188,775
Unreserved				
Undesignated	251,178	0	0	251,178
Total Fund Balance	<u>251,937</u>	<u>39,713</u>	<u>255,661</u>	<u>547,311</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 258,811</u>	<u>\$ 41,268</u>	<u>\$ 255,661</u>	<u>\$ 555,740</u>

The accompanying notes are an integral part of the financial statements.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total Fund Balances for Governmental Funds	\$ 547,311
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$ 145,013	
Land Improvements	9,000	
Buildings	13,978	
Machinery and Equipment	358,173	
Infrastructure	167,483	
Accumulated Depreciation	<u>(288,133)</u>	405,514

Long-term liabilities are not due and payable in the current period
and therefore are not reported in the funds:

Notes Payable	<u>(65,072)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 887,753</u></u>
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The accompanying notes are an integral part of the financial statements.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2008

	GENERAL FUND	FIRE FUND	ROAD FUND	TOTALS
<u>REVENUES</u>				
Taxes	\$ 48,953	\$ 35,785	\$ 71,576	\$ 156,314
Licenses and Permits	665	0	0	665
Federal Grants	1,176	0	0	1,176
State Grants	105,219	0	0	105,219
Contributions from Local Units	0	11,235	0	11,235
Charges for Services	5,961	0	0	5,961
Interest and Rents	6,961	316	6,463	13,740
Other Revenues	2,990	2,504	0	5,494
Total Revenues	171,925	49,840	78,039	299,804
<u>EXPENDITURES</u>				
Legislative	14,490	0	0	14,490
General Government	82,521	0	0	82,521
Public Safety	19,725	41,347	0	61,072
Public Works	23,765	0	0	23,765
Health and Welfare	330	0	0	330
Community and Economic Development	2,672	0	0	2,672
Recreation and Culture	12,564	0	0	12,564
Debt Service	10,183	0	0	10,183
Total Expenditures	166,250	41,347	0	207,597
Excess (Deficiency) of Revenues Over Expenditures	5,675	8,493	78,039	92,207
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	0	9,172	0	9,172
Transfers Out	(9,172)	0	0	(9,172)
Total Other Financing Sources (Uses)	(9,172)	9,172	0	0
Net Change in Fund Balance	(3,497)	17,665	78,039	92,207
<u>FUND BALANCE</u> - Beginning of Year	255,434	22,048	177,622	455,104
<u>FUND BALANCE</u> - End of Year	\$ 251,937	\$ 39,713	\$ 255,661	\$ 547,311

The accompanying notes are an integral part of the financial statements.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2008

Net Change in Fund Balance - Total Governmental Funds	\$ 92,207
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(29,443)
Capital Outlay	21,941
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).	<u>6,745</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 91,450</u></u>

The accompanying notes are an integral part of the financial statements.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2008

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 832
	<hr/>
<u>LIABILITIES</u>	
Due to Other Funds	\$ 106
Due to Other Governments	726
	<hr/>
TOTAL LIABILITIES	\$ 832
	<hr/>

The accompanying notes are an integral part of the financial statements.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Boardman Township is a general law township located in Kalkaska County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Boardman Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

The *Road Fund* accounts for revenue sources that are legally restricted to expenditure for road improvements.

Additionally Boardman Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition.

(I) The Township Board has authorized the Township Treasurer to invest in the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution. Authorized depositories shall be designated by the Boardman Township Board at the Board's organizational meeting after each regular election of board members.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

- (c) Repurchase agreements consisting of instruments listed in subdivision (a).
- (d) Mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by the Township Treasurer. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2007 taxable valuation of Boardman Township totaled \$35,948,075, on which ad valorem taxes levied consisted of 0.8643 mills for Boardman Township operating purposes, 1.9838 mills for Boardman Township road improvements, and 0.9919 mill for Boardman Township fire protection. These levies raised approximately \$31,132 for operating purposes, \$71,451 for road improvements, and \$35,722 for fire protection.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Included in the Road Fund is \$186,886 of prepaid expenditures which is a payment to the Kalkaska County Road Commission for work to be performed in the 2008-2009 fiscal year.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building improvements	20
Public domain infrastructure	20-50
Vehicles	5
Equipment	5-10

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

7. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on May 9, 2007, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Funds with Expenditures in Excess of Appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Township Board	\$ 13,550	\$ 14,490
Supervisor	14,000	15,086
Assessor	13,240	13,497
Board of Review	1,770	1,787
Highways, Streets, Bridges	0	2,731
Hospital	304	330

These overages were funded by available fund balance.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2008, \$155,661 of the government's bank balance of \$249,365 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, all of the Township's investments were considered Category 1 as to risk.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

As of June 30, 2008, the Township had the following investments:

A reconciliation of cash and investments follows:

	<u>CARRYING AMOUNT</u>	<u>FAIR VALUE</u>
Investments - Primary Government		
U.S. Government Securities	\$ 37,929	\$ 37,929
Michigan Governmental Money Market Fund	102,056	102,056
	<u>\$ 139,985</u>	<u>\$ 139,985</u>

A reconciliation of cash and investments follows:

Carrying amount of Deposits	\$ 210,930
Carrying amount of Investments	<u>139,985</u>
Total	<u>\$ 350,915</u>
Government-wide Statement of Net Assets	
Cash	\$ 210,098
Investments	139,985
Statement of Fiduciary Net Assets	
Cash	<u>832</u>
Total	<u>\$ 350,915</u>

B. Receivables

Receivables as of year end for the government's individual major funds are as follows:

	<u>General</u>	<u>Fire</u>	<u>Road</u>	<u>Total</u>
Receivables				
Intergovernmental	<u>\$ 15,267</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,267</u>

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

No deferred revenue was recorded in any of the funds at the end of the fiscal year.

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 145,013	\$ 0	\$ 0	\$ 145,013
Capital assets, being depreciated				
Buildings	13,978	0	0	13,978
Land Improvements	9,000	0	0	9,000
Machinery and Equipment	352,697	5,476	0	358,173
Infrastructure	151,018	16,465	0	167,483
Total capital assets, being depreciated	526,693	21,941	0	548,634
Less accumulated depreciation for:				
Buildings	7,687	399	0	8,086
Land Improvements	4,500	600	0	5,100
Machinery and Equipment	237,784	20,344	0	258,128
Infrastructure	8,719	8,100	0	16,819
Total accumulated depreciation	258,690	29,443	0	288,133
Total capital assets, being depreciated, net	268,003	(7,502)	0	260,501
Governmental activities capital assets, net	\$ 413,016	\$ (7,502)	\$ 0	\$ 405,514

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 5,540
Public Safety	13,953
Public Works	8,100
Culture and Recreation	1,850
Total depreciation expense - governmental activities	<u>\$ 29,443</u>

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Construction Commitments:

The Township has a construction commitment as of June 30, 2008. The construction commitment is for road improvements in the amount of \$373,772. The project is being funded with road improvement tax revenues.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at June 30, 2008, were:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 1,615	\$ 0
Special Revenue Funds		
Fire	0	1,509
Fiduciary Funds		
Current Tax Collection	0	106
	<u>\$ 1,615</u>	<u>\$ 1,615</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be resolved within one year.

The interfund transfers during the year ended June 30, 2008, are as follows:

	<u>IN</u>	<u>OUT</u>
General Fund	\$ 0	\$ 9,172
Special Revenue Funds		
Fire	9,172	0
	<u>\$ 9,172</u>	<u>\$ 9,172</u>

Transfers are used to: (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

E. Long-Term Debt

The following is a summary of the long-term debt transactions of Boardman Township for the year ended June 30, 2008:

	<u>NOTES PAYABLE</u>
Long-Term Debt Payable at July 1, 2007	\$ 71,817
New Debt Incurred	0
Payments on Debt	<u>(6,745)</u>
LONG-TERM DEBT PAYABLE AT JUNE 30, 2008	<u>\$ 65,072</u>
Due within one year	<u><u>\$ 7,090</u></u>

Notes Payable:

\$80,000 note payable due in monthly installments of \$849 through February 10, 2016; interest at 5%, secured by land	<u><u>\$65,072</u></u>
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The annual requirements to amortize debt outstanding as of June 30, 2008, are as follows:

Year Ending	Principal	Interest	Total
June 30, 2009	\$ 7,090	\$ 3,092	\$ 10,182
June 30, 2010	7,452	2,730	10,182
June 30, 2011	7,834	2,348	10,182
June 30, 2012	8,235	1,947	10,182
June 30, 2013	8,656	1,526	10,182
June 30, 2014-2016	25,805	1,845	27,650
Total	<u><u>\$ 65,072</u></u>	<u><u>\$ 13,488</u></u>	<u><u>\$ 78,560</u></u>

The Township is currently not liable for any special assessment debt obligation.

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/retained earnings have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

FUND BALANCE

Reserved

General Fund

Prepaid Expenditures		\$ 759
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Special Revenue Funds

Fire Fund

Fire Protection	\$ 38,583	
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Prepaid Expenditures	1,130	
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Road Fund

Road Improvements	68,775	
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Prepaid Expenditures	186,886	295,374
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TOTAL FUND BALANCE RESERVES		<u>\$ 296,133</u>
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IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Sale of Future Revenues

For several years, the Township has sold its rights to delinquent real property tax revenues and related late payment penalties to the Kalkaska County treasurer. For the 2007 tax roll the Township received a lump sum payment of \$24,170, which included \$5,091 for general operating tax revenues, \$5,837 for fire protection tax revenues, \$11,674 for road improvement tax revenues, and \$1,568 for administration fees. These amounts represent 100% of the present value of the delinquent real property tax revenues. In exchange for these payments, the county is allowed to keep the delinquent taxes collected plus the late payment penalties charged. If the county is ultimately unable to collect any of these delinquent taxes, the Township will have to repay the county.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

	GENERAL FUND			FIRE FUND			ROAD IMPROVEMENT FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>									
Taxes	\$ 26,900	\$ 26,900	\$ 48,953	\$ 34,000	\$ 34,000	\$ 35,785	\$ 52,069	\$ 52,069	\$ 71,576
Licenses and Permits	8,000	8,000	665	0	0	0	0	0	0
Federal Grants	0	0	1,176	0	0	0	0	0	0
State Grants	120,000	120,000	105,219	0	0	0	0	0	0
Contributions from Local Units	0	0	0	16,300	16,300	11,235	0	0	0
Charges for Services	12,388	12,388	5,961	0	0	0	0	0	0
Interest and Rents	4,000	4,000	6,961	0	0	316	0	0	6,463
Other Revenues	6,000	6,000	2,990	0	0	2,504	150,000	150,000	0
Total Revenues	177,288	177,288	171,925	50,300	50,300	49,840	202,069	202,069	78,039
<u>EXPENDITURES</u>									
Legislative									
Township Board	13,550	13,550	14,490	0	0	0	0	0	0
General Government									
Supervisor	14,000	14,000	15,086	0	0	0	0	0	0
Election	7,000	7,000	1,942	0	0	0	0	0	0
Assessor	12,500	13,240	13,497	0	0	0	0	0	0
Legal Fees	3,000	3,000	1,118	0	0	0	0	0	0
Clerk	19,000	19,000	18,360	0	0	0	0	0	0
Board of Review	1,500	1,770	1,787	0	0	0	0	0	0
Treasurer	18,000	18,000	17,856	0	0	0	0	0	0
Building and Grounds	16,760	16,760	5,828	0	0	0	0	0	0
Cemetery	10,000	10,000	7,047	0	0	0	0	0	0
Public Safety									
Police	21,000	21,000	19,725	0	0	0	0	0	0
Fire Protection	0	0	0	65,000	65,000	41,347	0	0	0
Public Works									
Sidewalks	14,950	14,950	14,950	0	0	0	0	0	0
Highways, Streets, Bridges	0	0	2,731	0	0	0	150,000	150,000	0
Street Lighting	3,000	3,000	2,344	0	0	0	0	0	0
Refuse Collection/Disposal	6,000	6,000	3,740	0	0	0	0	0	0

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

	GENERAL FUND			FIRE FUND			ROAD IMPROVEMENT FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Health and Welfare									
Hospital	304	304	330	0	0	0	0	0	0
Community and Economic Development									
Zoning	3,000	3,000	2,672	0	0	0	0	0	0
Recreation and Culture									
Parks and Recreation	15,500	15,500	12,564	0	0	0	0	0	0
Debt Service	10,800	10,800	10,183	0	0	0	0	0	0
Contingency	24,216	23,206	0	0	0	0	0	0	0
Total Expenditures	214,080	214,080	166,250	65,000	65,000	41,347	150,000	150,000	0
Excess (Deficiency) of Revenues									
Over Expenditures	(36,792)	(36,792)	5,675	(14,700)	(14,700)	8,493	52,069	52,069	78,039
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfers In	0	0	0	0	0	9,172	0	0	0
Transfers Out	0	0	(9,172)	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	(9,172)	0	0	9,172	0	0	0
Net Change in Fund Balance	(36,792)	(36,792)	(3,497)	(14,700)	(14,700)	17,665	52,069	52,069	78,039
<u>FUND BALANCE</u> - Beginning of Year	243,954	243,954	255,434	0	0	22,048	0	0	177,622
<u>FUND BALANCE</u> (DEFICIT) - End of Year	\$ 207,162	\$ 207,162	\$ 251,937	\$ (14,700)	\$ (14,700)	\$ 39,713	\$ 52,069	\$ 52,069	\$ 255,661

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2008

	BALANCE			BALANCE
	7/1/2007	ADDITIONS	DEDUCTIONS	6/30/2008
<u>CURRENT TAX COLLECTION FUND</u>				
<u>ASSETS</u>				
Cash	\$ 7,579	\$ 936,456	\$ 943,929	\$ 106
Due from Other Governments	3,650	0	3,650	0
Total Assets	<u>\$ 11,229</u>	<u>\$ 936,456</u>	<u>\$ 947,579</u>	<u>\$ 106</u>
<u>LIABILITIES</u>				
Due to Other Organizations and Individuals	\$ 0	\$ 107	\$ 107	\$ 0
Due to Other Governments	0	807,262	807,262	0
Due to Other Funds	11,229	129,087	140,210	106
Total Liabilities	<u>\$ 11,229</u>	<u>\$ 936,456</u>	<u>\$ 947,579</u>	<u>\$ 106</u>
<u>TRUST AND AGENCY</u>				
<u>ASSETS</u>				
Cash	\$ 726	\$ 728	\$ 728	\$ 726
<u>LIABILITIES</u>				
Due to Other Governments	\$ 726	\$ 728	\$ 728	\$ 726
<u>TOTALS - ALL AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash	\$ 8,305	\$ 937,184	\$ 944,657	\$ 832
Due from Other Governments	3,650	0	3,650	0
Total Assets	<u>\$ 11,955</u>	<u>\$ 937,184</u>	<u>\$ 948,307</u>	<u>\$ 832</u>
<u>LIABILITIES</u>				
Due to Other Organizations and Individuals	\$ 0	\$ 107	\$ 107	\$ 0
Due to Other Governments	726	807,990	807,990	726
Due to Other Funds	11,229	129,087	140,210	106
Total Liabilities	<u>\$ 11,955</u>	<u>\$ 937,184</u>	<u>\$ 948,307</u>	<u>\$ 832</u>

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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December 26, 2008

To the Township Board
Boardman Township
Kalkaska County
South Boardman, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Boardman Township as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Boardman Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiencies described above are material weaknesses.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

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December 26, 2008

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Township Board
Boardman Township
Kalkaska County
South Boardman, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Boardman Township for the year ended June 30, 2008, and have issued our report thereon dated December 26, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 30, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Boardman Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. No material misstatements were noted.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 26, 2008.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit of the basic financial statements of Boardman Township for the year ended June 30, 2008, we noted the following list of items which we feel deserve comment:

Budgeting

Expenditures in various activities of the General Fund exceeded appropriations. The Township Board is responsible for amending the budget during the year to allow for expenditures in excess of original appropriations, or to reduce appropriations, if it appears the actual expenditures will be much less than originally appropriated.

Public Act 621 states that the budget document that the Township adopt include the following financial information:

- The actual results from the prior year
- An estimate of the current year results
- The proposed budget for the upcoming year
- Amounts for contingencies, if appropriate

- The amount of fund balance accumulated through the end of the current year, and the amount expected at the end of the upcoming year after applying the budgeted receipts and disbursements.

A complete budget should be adopted for each of the Township's funds with the items listed above.

This is a repeated comment from the previous year.

Reconciliations of Clerk and Treasurer Ledgers

We recommend that the Treasurer and Clerk reconcile their bank account balances with each other on a monthly basis. A complete and accurate bank reconciliation that reconciles from the bank balance to the book balance should be prepared each month for each bank account. This will facilitate a continuous balancing of records and help strengthen internal controls.

This is a repeated comment from the previous year.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.